

AMENDED FINAL STATEMENT OF REASONS

1) Supplemental Summary of Comments Received and Department Response

A) Supplementary Responses to Letters Received through U.S. Mail from the following Commentors:

Identifying Number	Commenter Name, Business Name and Address
L-1	Ken Harrison, Co-Chairman San Diego County Traffic School Association PO Box 939 Cardiff by the Sea, CA 92007
L-8	Guillermo A. Brun Academia de Trafico En Espanol 1403 W. Oak Street Stockton, CA 95203
L-9	Glen Babel A-Plaza Driving School 926 E. Lewelling Blvd. Hayward, CA 94541
L-10	Jose Caero La Mejor Clase en Espanol 325 N. First Street Fresno, CA 93702
L-21	Gabe Roberson <i>Letter submitted at Public Hearing</i> Traffic Safety Consultants, Inc. 41 Saratoga Circle Sacramento, CA 95864

B) Supplementary Responses to Letters Received by Facsimile from the following Commentors:

Identifying Number	Commenter Name, Business Name and Address
F-1	Bruce Elkins, Owner/Operator

Cheap School dba Bruce Elkins Traffic School
14525 Roscoe Blvd., Suite 205
Panorama City, CA 91402

C) Supplementary Responses to Letters Received by email from the following
Commentors:

Identifying Number	Commenter Name, Business Name and Address
E-1	Bill Niles, President California Traffic School Association 400 E. Commonwealth Ave., Suite 8 Fullerton, CA 92832
E-2	Brett Elkins <i>Submitted Hearing Request via Email</i> Traffic Safety Consultants, Inc. 14526 Roscoe Blvd., Suite 218 Panorama City, CA 91402
E-3	Bruce Elkins, Owner/Operator Cheap School dba Bruce Elkins Traffic School 14525 Roscoe Blvd, Suite 205 Panorama City, CA 91402
E-4	William Niles, President Interactive Safety Education, Inc. 400 E. Commonwealth Ave., Suite 8 Fullerton, CA 92832
E-5	Loree Taylor, Operator Traffic Safety Center, Inc. 400 E. Commonwealth Ave., Suite 8 Fullerton, CA 92832
E-6	Elinor Niles, President Highway Blues, Inc. 400 E. Commonwealth Ave., Suite 8 Fullerton, CA 92832

D) Supplementary Responses to Comments Received at the Public Hearing from the following Commentors:

Identifying Number	Commenter Name, Business Name and Address
H-2	Gabe Roberson Traffic Safety Consultants 41 Saratoga Circle Sacramento, CA 95864

Comments Specifying Department Inspections, Monitoring and Follow Up

- Unless there is a complaint, the DMV does not reinspect classroom locations annually and this \$100 per location/per year fee is being charged for services not being provided.
Commenters: E-2
- Once a classroom location is inspected and approved, there is no additional cost to DMV - thus no need for a renewal fee.
Commenters: L-1
- A fee for renewal of the classroom location is uncalled for since DMV does not do any follow-up work, re-evaluation or revision to our previously approved locations.
Commenters: L-8, L-9, L-10
- DMV has each of my classroom locations in its computer system and thus, removing a few older licensed locations should be relatively simple for the department.
Commenters: F-1, E-3
- Can the DMV demonstrate that over the past 5-10 years that classroom locations, that the DMV has already inspected and approved, have become such an overwhelming problem each year that the DMV must extract a doubling of fees from each licensee?
Commenters: E-6
- If the DMV wants to review the status of a classroom location, all they have to do is have their field inspectors check it over whenever they are monitoring a class being taught at that location.
Commenters: E-6

- The DMV could save inspection time and money by understanding that most classes are held in known chain hotels or restaurants, already used by other traffic schools and obviously approved for public use by their local jurisdictions.

Commenters: L-1

Department's Response: The department determined that the actual cost to license a renewal license to a classroom location is \$118. This does not include the cost of a physical inspection. The cost to physically inspect a classroom varies somewhat depending on the cost to travel to the location, but the average cost is less than \$30.

The cost for processing the application in the field, separate from the physical inspection, is \$33.00. The remaining cost is for headquarters' processing, updating records and lists, handling complaints, and general oversight. The department established the fee at \$100 rather than \$120 with the expectation that the major program changes described below would reduce the costs.

The cost analysis for classroom fees are a combination of costs related to performing licensing and the required on-going processing of classroom schedules, including additions and cancellation of classes scheduled.

The Cost Analysis 05/06 – Direct Costs per renewal application indicates:

Original Classroom:

\$157.91	Inspector: \$63.00 (*)
	Operations: \$27.00
	Benefits/Overhead \$67.91

Inspector collects application documents, cashiers fees and performs a pre-licensing inspection before issuing a decision on the location. Once approved, OL Operations performs document quality control, data entry and scans documents for long term storage. Data entry includes placement on the preprinted list, so the \$20.00 reduction applies to this activity.

* Since 05/06 OL has reduced inspections of known facilities such as hotels or other public convention facilities, which further reduces this cost today.

Annual Classroom Analysis with Owner Renewal:

\$118.75	Inspector: \$33.66
	Operations: \$34.02
	Benefits/Overhead \$51.07

Renewal applications can be mailed directly to OL or presented to a local inspector office; however, about 50% are presented to an inspector due to changes or questions about a classroom. The renewal application requires a re-verification of each classroom location as it appears in OL records (data and storage) to determine eligibility to renew, calculate fees and confirm placement on the TVS list. Procedures related to confirming list placement will be omitted and has been calculated as a \$20.00 reduction. Short term leases (monthly leases) require a re-verification.

Note: DMV recently offered a reduction in classroom paperwork to allow schools to post scheduled and cancellations online in lieu of paper. To date, only 15 of the 367 licensed schools have opted to post scheduled on-line.

Administrative Costs related to Classroom Operations 07/08:

Complaints:	Consumer	35
	Monitor Rpt w/violations:	299
	Required full Investigations:	8

Complaint Management 09/10 \$134,312 or \$41.97 per classroom

This cost is related to the management of consumer and complaints and monitoring agency complaints that require departmental action. These complaints can be directly attributed to instructor behavior, classroom environment, lack of or misinformation relayed during course, or failing to provide the required course material or time required by law.

Comments Relating to Two Year vs. One Year Licenses

- Why would the classroom industry merit paying for the implementation of AB 2499 - the home study industry?
Commenters: F-1, E-3
- Two year owner licenses works well and should not be changed. Two year period is reasonable for existing TVS programs.
Commenters: E-1, E-4, E-5
- It would be reasonable for a newly licensed TVS to have an annual renewal imposed for the first two years to give the department a basis for ensuring a new TVS understands and adheres to all applicable sections of the vehicle code and regulations.
Commenters: E-1, E-4, E-5
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Commenters: E-1, E-4, E-5

- The current two year renewal period for Owner and Operator licenses should be maintained.

Commenters: E-6

Department's Response: Aside from the statutory authority identified in the initial Final Statement of Reasons, the department cites the necessity of current bonds as another reason for the move to an annual license. Bond companies are issuing bonds on an annual basis and, to ensure bonds are valid, the department has determined it necessary to enact a one year license to coincide with bond issuance.

While the Vehicle Code does authorize the department to issue a one year license, it also authorizes the department to set fees to cover the costs of administering the TVS program. The fees assigned to these licenses are not being increased due to the move to a one year license, but rather due to the provision allowing the department to recoup costs.

Comments Citing Economic Impact

- How could the DMV state in their Notice of Proposed Regulatory Action that:

“...this regulation is not expected . . . to eliminate jobs . . . in California . . . or reduce . . . businesses doing business in. California” and, “The proposed regulatory action will not affect small business. . .”

These proposed fees will be the direct cause of driving some classroom-based traffic schools out of business; this prediction is almost a guarantee. What is the DMV's basis for making the above comments in the *Determinations* section of their Notice? They need to try and justify this action.

Commenters: E-6

- The department's determination that the regulatory action will not have a significant statewide adverse economic impact is incorrect. Classroom renewal fees are repressive and will cause reduction in classroom locations and reduce business activity.

Commenters: L-21, H-2

Department's Initial Response:

The department acknowledges that by introducing home study and internet-based programs into the TVS program, there will be a fiscal impact felt by classroom providers. The department further acknowledges the prevalence of the internet and the fact that, in many cases, a TVS student will choose to attend a TVS program through the internet rather than attending a class. While this is the reality of what the TVS program will likely become, the provisions adopted in this regulatory action are not arbitrarily developed by the department. AB 2499 gave the department oversight of home study and internet programs just as it gave the department the authority to set fees in an amount sufficient to cover the costs of administering the program.

The department has shown that the fees are not only justified, but were also approved by the California Department of Finance; however, this does not negate the fact that technology will play a dominant role in shaping the TVS program.